



## U.S. Department of Justice

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DALLAS, TEXAS  
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### **16 ARRESTED IN HEALTH CARE FRAUD AND ROGUE INTERNET PHARMACY SCHEME**

#### ***MORE THAN \$200 MILLION IN FRAUDULENTLY OBTAINED PHARMACEUTICALS***

At a press conference this afternoon, Richard B. Roper, United States Attorney for the Northern District of Texas; Karen Tandy, Administrator of the Drug Enforcement Administration; Larry W. Sperl, Special Agent in Charge of the Food and Drug Administration, Office of Criminal Investigations, Kansas City Field Office; Guadalupe Gonzalez, Special Agent in Charge of the Federal Bureau of Investigation, Dallas Office; and Erick Martinez, Special Agent in Charge of Internal Revenue Service - Criminal Investigation, Dallas Field Office, IRS Criminal Investigation announced numerous arrests in a multi-million dollar healthcare fraud and internet pharmacy scheme. This morning 16 defendants were arrested in the Dallas/Fort Worth, Texas area and in Boca Raton, Coral Gables and Windermere, Florida, on charges outlined in a 201-count federal indictment returned by a grand jury in Dallas yesterday. Twelve search warrants were executed in Dallas and four in Florida. All of the arrests were made without incident and many of the defendants are appearing this afternoon before United States Magistrate Judges in United States District Courts in Dallas and in Florida.

U.S. Attorney Roper said, "More than \$200 million in pharmaceuticals was fraudulently purchased from commercial pharmaceutical wholesalers and diverted for fraudulent and illegal distribution through rogue internet pharmacies."

Roper continued, "Today's arrests are the culmination of a two and a half year joint investigative operation, called "CYBER X," which included law enforcement officers from the U.S. Food and Drug Administration, the Drug Enforcement Administration, the Federal Bureau of Investigation, the Internal Revenue Service - Criminal Investigation, the U.S. Department of Veteran Affairs - Office of the Inspector General; the Texas Department of State Health Services and the Texas State Board of Pharmacy.

DEA Administrator Karen P. Tandy said, “Operation Cyber X puts out of business cyber criminals who were selling powerful narcotics without legitimate prescriptions to anyone with a computer and cash. These high-tech drug dealers were fueling addictions by selling the very drugs intended to prevent and treat ailments—not inflict them. Just as important, this operation makes more Americans aware that buying prescription drugs from these rogue websites is illegal and dangerous.”

Margaret O’K. Glavin, FDA Associate Commissioner for Regulatory Affairs, said, “This case demonstrates the FDA’s commitment to guard the safety and efficacy of our nation’s pharmaceutical drug supply by investigating criminal violations of the Food Drugs and Cosmetics Act. It once again serves notice to the secondary wholesale market that they have a duty and obligation to abide by the laws and regulations affecting wholesale pharmaceuticals in interstate commerce. I am pleased that this cooperative effort between law enforcement agencies and the U.S. Attorney’s Office has focused on stopping these fraudulent schemes.”

The following defendants are named in the 201-count indictment. All defendants are charged with one count of Conspiracy to Commit Health Care, Mail and Wire Fraud, Money Laundering and Illegal Monetary Transaction, which carries a maximum statutory sentence of five years imprisonment and a \$250,000 fine, per count, upon conviction for the individuals and a \$500,000 fine per count for the defendant corporations.

RAKESH JYOTI SARAN, a/k/a “Johar Rakesh Saran,” “Johar Saran,” “Joe Saran,”  
“John Saran,” and “Imraan Siddiqi”

STACY FRED WORD, a/k/a “Fred Word”

DAVID KAISER

LESLIE WAYNE DAVIDOFF, a/k/a “Les Davidoff”

CHERIE ANN WORD

AYESHA SIDDIQUI, a/k/a “Ayesha Siddiqi”

MARGIE MOLINA

GEORGE SCHMIDT

MATTHEW FRED VALDEZ

LEVOIE WAYNE BRANAM

SAMEER A. SAYED

WINSTON ANTHONY WILLIAMS

ARRON KYLE WOODCOCK

HEATHER RACHELLE ELLIOTT

DAVID THANE MUNS

GASTON BLANCHET, JR.

SHERMAN TED SOLOMON

STEVEN ROSNER

GIL LOZANO

ALLIANCE PHARMACY SERVICES, INC.  
AMS PHARMACEUTICALS GROUP, INC.  
CARRINGTON HEALTH CARE SYSTEM, INC.  
DALAMAR SERVICES, INC.  
EAST POINTE PHARMACY SERVICES, INC.  
EVEREST SERVICES, INC.  
INFINITI SERVICES GROUP, INC.  
MED-CARE INFUSION SERVICES, INC.  
NATIONAL EXECUTIVE MANAGEMENT, INC.  
ORION PHARMACY SERVICES, INC.  
PRECISION PHARMACY SERVICES, INC.  
PREMIUM PHARMACY SERVICES, INC.  
QUANTUM INFUSION, INC.  
RELIANCE PHARMACEUTICAL, INC.  
SOUTHWEST INFUSION, INC.  
SWS PHARMACY SERVICES, INC.  
TEXAS HOME INFUSION, L.L.C.  
TRI-PHASIC PHARMACY, INC.  
TRINITY INFUSION SERVICES, INC.  
TRINITY PHARMACY SERVICES, INC.

Lead defendant Rakesh Jyoti Saran is charged in each count of the indictment and if convicted on all counts faces a maximum statutory sentence of thousands of years imprisonment and millions of dollars in fines.

The indictment includes four counts of Health Care Fraud, which carries a statutory maximum sentence of 20 years imprisonment and a \$250,000 fine per count upon conviction. The indictment also charges 18 counts of Mail Fraud in which half of the counts carry a statutory maximum sentence of five years imprisonment and a \$250,000 fine per count upon conviction and the other half carry a maximum statutory sentence of 20 years imprisonment and a \$250,000 fine per count upon conviction. The indictment charges 68 counts of Wire Fraud. Counts 24 - 54 and Counts 67 - 91 carry a maximum statutory sentence of 20 years imprisonment and a \$500,000 fine per count upon conviction. The other Wire Fraud Counts, Counts 55 - 66, carry a maximum statutory sentence of five years imprisonment and a \$250,000 fine per count upon conviction. The indictment also charges one count of Conspiracy to Distribute Controlled Substances which carries a maximum statutory sentence of five years imprisonment and a \$250,000 fine upon conviction. Five counts of the indictment charge Distribution and Possession with Intent to Distribute a Controlled Substance, which carries a maximum statutory sentence of five years imprisonment and a \$250,000 fine per count upon conviction for the individual defendants and a \$1,000,000 fine per count for the defendant corporations. Counts 98 through 174 of the indictment charge Money Laundering, which carries a maximum statutory sentence of 20 years imprisonment

and a \$500,000 fine per count upon conviction. Counts 175 - 195 of the indictment charge Engaging in Monetary Transaction in Property Derived from Specific Unlawful Activity, and those counts carry a maximum statutory sentence of 10 years imprisonment and a \$250,000 fine per count. Defendants could also be ordered to pay restitution

Included in the indictment are six counts of Forfeiture Allegations. The government is seeking forfeiture of \$200,000,000; personal property including 11 vehicles; and seven properties located in Arlington and Mansfield, Texas and in Windermere, Miami, and Boca Raton, Florida.

The indictment alleges that from November 1999 through September 20, 2005, the defendants conspired with each other and others to commit healthcare fraud, mail fraud, wire fraud, money laundering and making illegal monetary transactions in a prescription diversion scheme.

Through two companies that he owned, Carrington Healthcare Systems, Inc. and Infinity Services Group, Inc., Saran operated 23 pharmacies, all incorporated in the State of Texas. Most of those pharmacies are listed as defendants in the indictment. Allegedly, Saran would purchase expensive pharmaceuticals at significant discounts from pharmaceutical wholesale suppliers, such as, AmerisourceBergen in Valley Forge, Pennsylvania; Anda, Inc. located in Florida; Cardinal Health in Dublin, Ohio, H.D. Smith, located in Fort Worth, Texas; Morris & Dickson Co., L.L.C. in Shreveport, Louisiana; and Walsh Distribution located in Texarkana, Texas for further distribution. Saran's pharmacies purchased controlled substances such as hydrocodone (an addictive painkiller), phentermine hydrochloride (an appetite suppressant), alprazolam (used to treat anxiety, depression, panic disorder and premenstrual syndrome), and promethazine cough syrup (containing codeine).

Saran obtained significant price discounts by obtaining fraudulent memberships in Group Purchasing Organizations (GPOs) which are organizations that represent a number of pharmacies that join together to increase their buying power in order to obtain "contract pricing" for purchasing pharmaceuticals. GPO's are paid a percentage for each purchase made by its members pursuant to the negotiated contract. To qualify for the largest discount, Saran fraudulently represented to GPO's, wholesale suppliers and manufacturers that his purchases were for "institutional" distribution." Drug companies offer the deepest discounts to "institutional" distributors because they know that insurance companies and the government pay the health care costs for many patients in institutions and the amount they reimburse for pharmaceuticals is relatively low. Saran signed contracts with "own use" or "closed door pharmacy" contract restrictions representing that his purchases were for "institutional" distribution only, and would not be otherwise distributed or placed in the "non-institutional" market. However, Saran purchased these pharmaceuticals and sold them outside the scope of the "own use" provision and made substantial profits from the diverted transactions which he used for his own personal benefit.

Saran used Carrington and later Infinity to disguise his identity from wary wholesalers. He falsely represented to drug wholesalers and manufacturers that Infinity was a GPO for a group of closed-door pharmacies wanting to buy pharmaceuticals at volume discounts. Saran didn't disclose to the wholesalers that the pharmacies were alter-ego businesses he created and that he obtained individual DEA registration numbers for each one to camouflage his identity as the actual purchaser. Saran routinely concealed his fraudulent restricted purchases and sales by altering records and documents.

Defendants Saran, Lozano, Blanchet and Solomon operated "Internet Facilitation Centers" (IFCs) using various websites. An IFC is an entity that operates store front websites designed to facilitate the distribution of controlled substances to internet customers --- internet drug stores for drug users and abusers.

Drug users would contract to pay a substantial price, usually three to four times the cost of the lawful prescription at a local pharmacy, in order to acquire drugs illegally over the internet without a prescription. The drug user would access a store-front website that was associated with or controlled by an IFC and the website would forward the drug user's information and the drug request to the IFC to be processed. The IFC would notify an IFC-associated physician that a drug request was pending and that physician would approve the drug request without meeting or talking to the drug user. The IFC would process the request with the physician's electronic approval and an IFC-associated pharmacy, such as Saran's, would access the IFC, download and fill the customers' requests and then send the filled drug request, usually via common commercial carriers such as United Parcel Service (UPS) and Federal Express (FedEx), to the drug user's address. Generally the drug user would pay the IFC by credit card or money order and the IFC would transfer a portion of the money to its associated physicians, pharmacies and commercial carriers.

Heaven Sent Drug Service, Inc. and Moheba, Inc., were IFCs owned and operated by Steven Rosner at his residence in Boca Raton, Florida. Gil Lozano was the owner/operator of IFCs Global One, Inc. and RX Omni Care, Inc., in Coral Gables, Florida. Gaston Blanchet, Jr. operated GTM World, Inc., at his residence in Miami, Florida. Sherman Ted Solomon owned and operated Solomon Group at his residence in Windermere, Florida and Saran owned and operated Nations Drug Supply at The Tech Centre warehouse in Arlington, Texas. The pharmacies that Saran owned and operated filled the controlled substance drug ordered received from these IFCs.

The internet pharmacies operated illegally. The pharmacies dispensed dangerous drugs and controlled substances without valid prescriptions and without doctor intervention. For a prescription to be valid, it must be issued for a legitimate medical purpose, by a licensed practitioner acting in the usual course of his professional practice. In addition, before prescribing a dangerous drug or controlled substance, the practitioner must have documented medical history, physical examination and consultation with the patient about the effects of the prescribed medication.

Defendant Leslie Wayne Davidoff was a pharmacist licensed in Texas and was listed as the pharmacist-in-charge, and was the only pharmacist, for the 23 DEA-registered retail pharmacies Saran owned and operated.

Seventeen of those pharmacies are charged in the Indictment. Four of those defendant pharmacies are also charged with one count of Health Care Fraud: Texas Home Infusion, L.L.C., AMS Pharmaceuticals Group, Inc., Southwest Infusion, Inc., and Tri-Phasic Pharmacy, Inc.

Carrington Healthcare Systems, Inc., Fred Word, SWS Pharmacy Services, Inc., George Schmidt, Texas Home Infusion, L.L.C., AMS Pharmaceutical Group, Ayesha Siddiqui, East Pointe Pharmacy Services, and Leslie Wayne Davidoff are also charged with various counts of Mail Fraud.

Defendants Kaiser, Davidoff, Valdez, Branam, Sayed, Williams, Woodcock, Elliott, Muns, Blanchet, Jr. , Solomon, Lozano and Rosner are also charged with Conspiracy to Distribute Controlled Substances. Blanchet, Tri-Phasic Pharmacy, Solomon, Trinity Pharmacy Services, Inc., Lozano, Orion Pharmacy Services, Inc., Rosner, Valdez and Branam are also charged with Distribution and Possession with Intent to Distribute a Controlled Substance.

Davidoff, Kaiser, Word, Solomon, Rosner and Lozano are also charged with various counts of Money Laundering. Defendants Word and Valdez are also charged with various counts of Engaging in Monetary Transaction in Property Derived from Specific Unlawful Activity.

Guadalupe Gonzalez, Special Agent in Charge of the Federal Bureau of Investigation, Dallas Office, said, ““Today's arrests are the result of a joint investigative effort to protect the citizens who depend and rely on affordable pharmaceuticals. Continued partnerships in Law Enforcement will serve to identify and eliminate those who prey upon the health care industry.”

Erick Martinez, Special Agent in Charge of the Dallas Field Office, IRS Criminal Investigation, said, “IRS Criminal Investigation's role in this joint investigation into the alleged illegal activities of these internet pharmacy businesses was to analyze the financial transactions conducted by the defendants. Doing so established connections between the various defendants that participated in this complex prescription drug and money laundering organization.” Martinez continued, “Our expertise is critical in locating money and tracing that money from the crime to the criminals.”

U.S. Attorney Roper especially recognized the investigative efforts and teamwork of the U.S. Food and Drug Administration - Office of Criminal Investigation; Federal Bureau of

Investigation; Drug Enforcement Administration; Internal Revenue Service - Criminal Investigation; U.S. Department of Veteran Affairs - Office of the Inspector General; Texas Department of State Health Services and the Texas State Board of Pharmacy.

The details contained in the indictment are accusations and the defendants are presumed to be innocent unless and until proven guilty in a court of law. The case is being prosecuted by Assistant United States Attorneys William C. McMurrey, Candina Heath and John DeLaGarza and Special Assistant United States Attorney Kimberly Priest with the Texas Attorney General's Office.